Briefs

Livestock, Dairy, & Poultry

Growth in Broiler Production Likely to Slow in 2001

After relatively strong production increases in most of the 1990's, the U.S. broiler industry is attempting to slow its rate of expansion. U.S. broiler production over the first 8 months of 2000 totaled 20.5 billion pounds, only 3 percent higher than the previous year. Total production in 2000 is projected to increase 3 percent over 1999, and production growth should remain slow in 2001 as rising export demand levels out. The outlook for broiler parts prices hinges on whether production increases do in fact remain moderate.

Behind the slowdown are depressed prices for most broiler parts, prompted by the steep decline in exports to Russia after devaluation of the ruble in August 1998. During the first half of 1998, exports accounted for 19 percent of total U.S. production, with Russia the largest market. Until the ruble devaluation, broiler exports had proceeded at a record pace and prices of most parts had been fairly strong. After devaluation, exports fell dramatically, and prices for most parts declined.

Leg quarters are the largest component of Russian imports. In the U.S. Northeast, prices for leg quarters reached a 1998 peak in August, at almost 36 cents a pound. By December, the drop in exports to Russia sent these prices plunging to 18 cents, a 50-percent decline. Prices for other broiler parts followed a similar pattern. Prices for thighs fell about one-third between those months.

Before the drop in the Russian market, processors had been increasing flocks in anticipation of growing domestic demand and higher exports. These efforts boosted production 6.7 percent in 1999. This increase in production, coupled with only a 4-percent increase in exports, depressed prices for both light and dark meat products throughout 1999. Also, most of the export growth was due to a jump of almost 25 percent in shipments to China, whose imports impact prices less than those of Russia (see below).

In 2000, the export picture became one of the bright spots for the broiler industry, with shipments forecast to increase 7 percent. After several years of slow or little growth due to economic upheavals in a number of importing countries, most major broiler markets have boosted imports considerably. (The major U.S. markets are Russia, Mexico, and China/Hong Kong, which together accounted for 65 percent of U.S. broiler exports in the first half of the year.) Between the beginning of August and the end of September, prices of most broiler parts increased substantially. For example, prices for leg quarters rose approximately 7 cents a pound to 28 cents as sales to Russia increased.

Export demand has increased because the economies of Russia and Mexico have both gained from rising world oil prices. Broiler shipments to Russia have also benefited from recent changes in import tariffs. Tariff rates on all poultry products have been equalized, with broiler tariffs dropping slightly and tariff rates for turkey and other poultry products rising. During the first half of 2000, total shipments to Russia totaled 1.016 billion pounds, a 49-percent increase over 1999. (This figure includes broiler exports going through Latvia and Estonia, almost all of which eventually end up in Russia.)

Although efforts are underway to rebuild the Russian poultry sector, domestic production is still below earlier levels, and demand for U.S. products is strong.

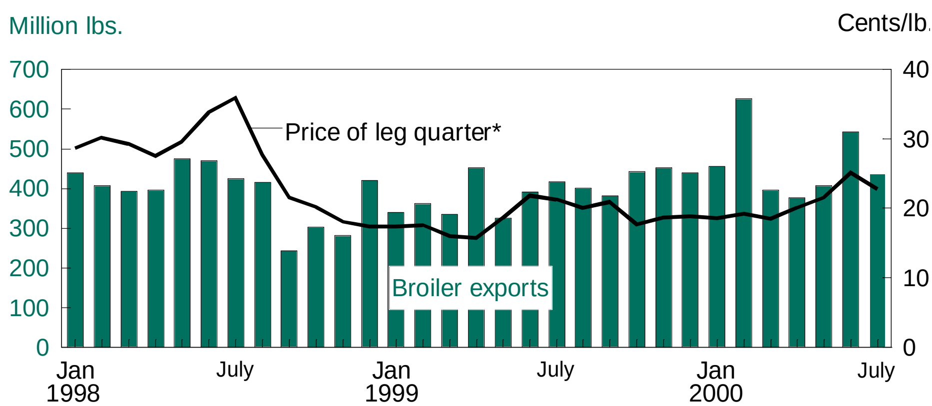
Broiler shipments to Mexico have grown steadily since recovering from the 1996 downturn resulting from devaluation of the peso. By 1999, exports had risen to just under 300 million pounds, making Mexico the third-largest U.S. market. This year, the Mexican economy is benefiting not only from higher oil prices but also from an apparently smooth transition of power following July elections that will bring an unprecedented change in political leadership. These conditions have led to a 20-percent increase in broiler exports to Mexico over the first 7 months of 2000. Exports are expected to remain strong for the remainder of 2000 and into 2001.

The Chinese market also has continued to expand over the last several years. Shipments to China/Hong Kong totaled 1.383 billion pounds in 1999, an increase of 26 percent from the previous year.

During the first 7 months of 2000, shipments totaled 929 million pounds, an increase of 16 percent. The rate of exports to China/Hong Kong is expected to slow in the remainder of 2000, but China/Hong Kong is expected to remain a strong growth market into next year.

While growth in exports to the China/Hong Kong market has benefited the U.S. broiler industry, the trend has not strengthened prices as dramatically as it

U.S. Broiler Prices Take Upward Turn in 2000 as Exports Rise



*Average monthly wholesale prices, U.S. Northeast.

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would in other markets. The reason lies in the composition of products shipped to China/Hong Kong. In 1999, 23 percent of all broiler products exported there (322 million pounds) consisted of chicken feet. Without this market, almost all of these parts would go to renderers for eventual use in pet foods. These exports represent a definite gain to broiler processors, but their absence from the domestic market does not affect prices for broiler parts traditionally consumed in the U.S.

With strong exports to the three largest markets and a number of smaller markets, including Korea and Singapore, U.S. broiler exports surged to over 3 billion pounds in the first 7 months of 2000, up over 20 percent from the previous year. While the pace of export growth is expected to slow during the rest of 2000, the year's total should reach a record 5.2 billion pounds.

Slower overall growth is expected in 2001 as shipments level out. Larger shipments to Russia are likely, but declining shipments through Latvia and Estonia will probably offset most of the increase. AO

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Specialty Crops

2000/01 U.S. Apple Crop to Rise, Prices Likely to Fall

U.S. apple orchards will grow more apples this year, and consumers across the country will likely eat more apples and pay slightly less for them. According to USDA forecasts, U.S. apple production is 10.7 billion pounds in 2000, up 1 percent from 1999 although 8 percent below 1998's record. Most western states will produce more apples than last year, and the increase should outweigh declines anticipated in central and eastern states. While the larger crop should cause fresh apple prices to drop in 2000/01, they probably will not fall far, because of reduced competition from a smaller pear crop this autumn.

An ample apple supply, combined with slightly lower prices, should increase consumption of U.S. apples—particularly fresh apples—both at home and abroad in 2000/01. U.S. per capita consumption of fresh apples will be up about 1 percent from the 18.8 pounds consumers averaged last year.

Weather conditions lie behind much of this year's anticipated difference in apple production between the west and the east. Given the west's favorable weather, USDA expects apple growers in every western state but California to produce a considerably larger crop than last year's—up 14 percent, to 7.0 billion pounds for the region. Washington, where apples are the state fruit, grows more than half the country's crop—the state is the largest supplier to both U.S. and export markets. This year's Washington apples should be of excellent quality and size, and output should measure 5.7 billion pounds, 14 percent higher than 1999's. (California's bearing acreage has declined the last two years, and some apple-growing areas were affected by erratic weather this year.)

In the east and central states, freeze damage, poor pollination conditions, hail, and fire blight problems hurt the crop in most apple-growing regions. Production is expected to fall in several major producing states: Michigan (down 26 percent), New York (19 percent), Pennsylvania (5 percent), Virginia (6 percent), and West Virginia (38 percent).

The larger crop in Washington alone can be expected to lower the price of fresh apples this year—in July through September 2000, U.S. growers received an average 19.7 cents per pound, compared with 20.2 cents during the same period in 1999. In addition, the state's crop is reported to be maturing 5 days earlier than normal, and stocks from 1999 appear large. Depending on how quickly the industry moves these 1999-crop apples out of cold storage, the early-maturing crop in Washington could lower fresh apple prices further.

Another result of higher production is that the U.S. will probably import fewer and export more fresh apples this season, the reverse of the 1999/2000 season when U.S. production dipped. Imports from August 1999 through July of this year were up 10 percent over the previous year's, to 377.5 million pounds. Shipments increased from Canada and New Zealand but declined from Chile as poor spring weather reduced the crop there. These three countries supplied 92 percent of U.S. fresh apple imports.

U.S. fresh apple exports should receive an extra boost from the combination of Washington's good-quality crop and USDA's Market Access Program, which provides funds to promote apple exports. Partly because of lower U.S. production, exports in 1999/2000 decreased 21 percent from a year earlier, to 1.2 billion pounds, slipping in all major markets except Mexico and Indonesia, with Mexico surpassing Taiwan as the top destination for U.S. fresh apples.

Japan, although still a minor market, imported 46 percent more U.S. apples in 1999/2000 than the previous year. The increase is partly because the Japanese market for the first time admitted U.S. Fuji apples, having previously limited its U.S. imports to Red Delicious and Golden Delicious varieties.

In the processed-apple market in 2000, growers can expect higher prices as a result of reduced supplies from the central and eastern U.S., whose output is geared mostly to this market. Also likely to push prices up is the expected drop in concentrated apple juice imports from China, which in recent years has flooded the U.S. market. Imports of concentrated apple juice from China currently face a 52-percent anti-dumping duty levied because the concentrate was being sold in the U.S. market at unfairly low prices. AO

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